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As I see

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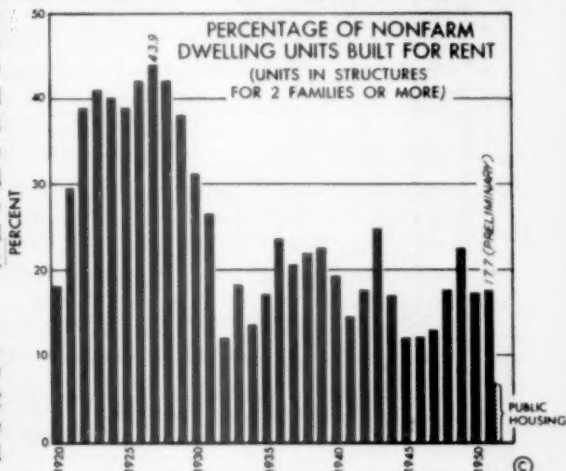
Number 6

TEN YEARS OF RENT CONTROL

IN March 1942, practically ten years ago, rent levels on residential dwelling units were frozen at the levels which then prevailed, to "help the war effort." During the period of World War II, the bureaucrats in Washington insisted that rent controls could not be lifted, and in the postwar period, they still protested that conditions had not returned to normal and, therefore, rent controls must continue. During the war in Korea, they have intensified their opposition to any weakening of rent controls, or to their elimination. They have gone further and have reimposed rent controls on cities which have been decontrolled by either local or State action. In many cases, this has been in spite of opposition of the local groups who felt that a return to rent control was undesirable.

From the standpoint of workability, rent control is more effective than any other type of price controls. It is far more difficult and dangerous to engage in black market operations and, since there is always a large supply of housing accommodations already in existence which will persist for a long period of years, the effect of rent control on the supply is not as immediately apparent as it is when price control sets the price of a commodity below the cost of production. Even a Washington bureaucrat has had more sense than to attempt to hold the price of food, for instance, at the March 1942 level. On the government consumers' price index, food has increased since March 1942 by approximately 90%. Had the allowable price not been raised, no food would be coming to the market, as the cost of production had increased to the point where it could not be produced without a heavy loss. Under those circumstances, each farmer would raise enough for his own needs, but would not raise crops for sale.

While it is not readily apparent, rent control has exactly the same effect on the production of dwelling units. The small chart opposite shows the way the percentage of all

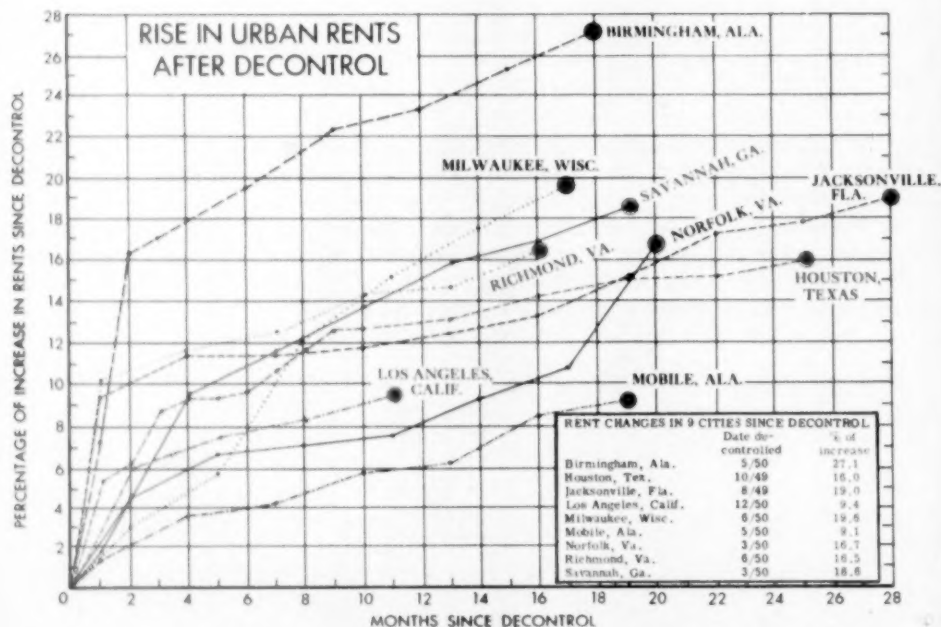


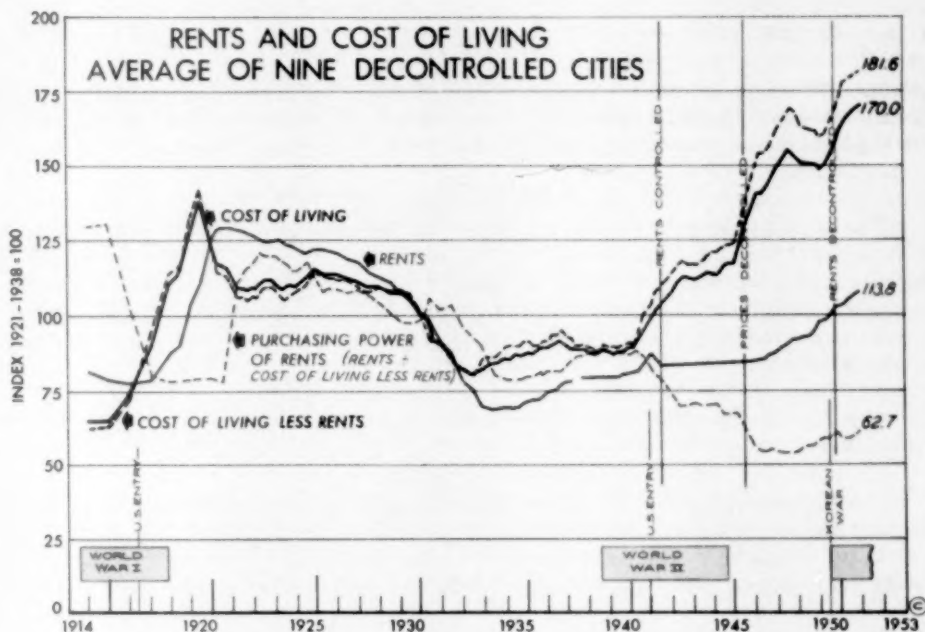
dwelling units which have been built for rent, has varied since the twenties. The relatively small percentage which have been built in the recent past consist either of public housing or of private borrowing on which the government has assumed practically the entire risk on insured loans. (In 1951, almost 40% of all rental units built were in public housing developments.) On the other hand, those built during the twenties were built entirely by private capital, financed by private capital, on an uninsured basis.

The chief effect of rent control has been to make rental units unavailable and to force persons, who would prefer to rent, to buy in a very high-priced market. Like all price controls, it has intensified the situation it attempted to correct. Rents rose because there was a shortage of residential units for rent, and so rent control attempted to solve this situation by preventing the building of additional units.

The chart below shows the experience of nine cities where rent controls have been lifted.

The Bureau of Labor Statistics of the United States Department of Labor has for many years collected rent figures for 34 cities of the United States in connection with its consumers' price index. Of these 34 cities, 25 are still under rent control, but 9 are cities in which rent controls have been lifted.





In one of these cities, however, Norfolk, Virginia, rent controls have just recently been reimposed.

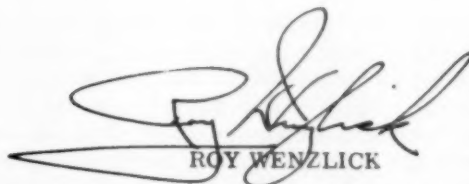
This chart shows the percentage of increase in rents, month by month, in each of these cities on which the government has accumulated figures from the time of decontrol until the latest figures available in the government index. It will be noticed on the chart that Jacksonville, Florida, has now had a longer experience with decontrol than any other city. In Jacksonville, decontrol has now continued for 28 months. At the end of 28 months, however, rents in Jacksonville were 19.0% higher than they were two and one-third years ago.

Birmingham, Alabama, has had the largest percentage of increase since decontrol of any of the nine cities on which figures are available. In Birmingham, after 18 months of decontrol, rentals have increased by 27.1%. It should be remembered, however, that the typical rent pattern of Birmingham has shown greater fluctuations than any other city of the 34 on which the Bureau of Labor Statistics has compiled figures. During the big depression, rent levels in Birmingham fell to less than 55% of the 1921-1938 average, which was the lowest point reached by any rent index prepared by the government. Even in this most extreme of all cities, the cost of living is now 78.7% higher than it was in the average of 1921-1938, while rents are only 29.4% higher.

If the rent dollar is computed in terms of other commodities and services which it would buy, at the present time the purchasing power of rents in Birmingham is only 72.4% as high as it was in 1921-1938. In other words, rents in Birmingham at the present time are 27.6% below the average of this 18-year period, while the cost of living is 78.7% above.

It is unfair, however, to judge any item by the experience of a single city, and so on page 55 we have charted the experience on rents and the cost of living for the average of the nine decontrolled cities. In order to give some perspective on the problem, this chart starts in 1914 and is carried forward to the last figures available in 1951. On this chart it will be seen that in the decontrolled cities, rents are now averaging 13.8% higher than they did in the average of the 1921-1938 period. On the other hand, the cost of living, including all items (even rents) is now running 70.0% above the 18-year average and, if rent is excluded from the cost of living, the other items in the cost of living are now running 81.6% higher. The rent dollar which the landlord receives, it will be seen from this chart, will only buy 62.7% as much as it would have bought in the period from 1921 to 1938, the 18-year period which included nine good years and nine bad years; or, summarizing this chart in a slightly different manner, the other elements of the cost of living are now 81.6% higher than they were in the base period, while the purchasing power of rent is now 37.3% lower than it was in the base period.

It has always been my contention that rent control was unnecessary in the first place, as wages have increased faster than the cost of living, and faster than rents would have increased had we had a free market. At the present time, wages in the United States are 170.5% higher than they were in this 18-year base period. Rents, according to the government index, in the 34 cities are only 3.8% higher, and in the nine decontrolled cities are only 13.8% higher. During this period, landlords being in a minority have seen legislation passed which, in the last analysis, has taken a part of their income and added it to the net income after rents of those renting their units. There is no justice nor logic in this legislation. Landlords of the United States are entitled to a free market, and with a return to the free market will come an increase in the number of dwelling units available for rent. Persons who have withdrawn their units from the rental market and have kept them on the sales market, in a free market will again be willing to rent.



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